

Issue Brief – USHE Compensation

NUMBER USHE-13

SUMMARY

The Analyst's FY 2008 recommendations do not include any change to the compensation figures. During the session, the Executive Appropriations Committee may determine a compensation increase and then direct the Legislative Fiscal Analyst to incorporate that increase into the various state agencies' budgets. Funding of any increase is based upon the agency's or institution's current revenue stream. Increases in USHE institutions have been funded with a combination of state funds and tuition (dedicated credits), with the distribution of the funding being determined by the current funding structure between state funds and tuition funds.

OBJECTIVE

Should the current formula to fund compensation adjustments be changed to help alleviate the disparity in the funding mix among USHE institutions?

DISCUSSION AND ANALYSIS

There is considerable difference among the nine USHE institutions as to their funding mix. While the USHE average shows State tax funds providing approximately 65 percent of the revenue for higher education and 35 percent of the revenue coming from tuition, there is great disparity among the nine institutions. At the one extreme is the College of Eastern Utah, which is funded with State funds for approximately 80 percent of its costs and dedicated credits (tuition) pick up the remaining 20 percent. At the other end of the spectrum, Utah Valley State College has less than 50 percent of its expenses covered by State tax funds, while tuition covers over 50 percent.

When compensation adjustments are based on current revenue sources, the institutions are required to raise tuition to cover that portion of the compensation adjustment. It is evident that the difference in current funding percentages results in an inequity in funding compensation adjustments. This inequity becomes more pronounced each year.

This proposal was one of the main topics of discussion during the Higher Education Appropriations Subcommittee meeting held October 19, 2006. During that meeting, a motion was made to request that the Executive Appropriations Committee approve the 75%/25% funding ratio for funding of compensation increases and to direct the Legislative Fiscal Analyst to prepare any bills dealing with compensation increases using that formula. However, a number of the Subcommittee members had to leave early, so there was not enough for a quorum to pass the motion. The members who were there at the time the motion was made wanted to go on record indicating that they were unanimously in favor of this funding proposal. A letter was sent to the other Subcommittee members explaining this action, requesting their input. Those members indicated to the co-chairs that they, too, were in favor of this proposal.

The following table shows the FY 2007 compensation package approved by the Legislature compared to a similar package under a 75% state funds/25% tuition scenario. In total, the two packages are similar and employees would not notice any difference. The difference would be that State funds would provide approximately \$3.8 million more of the total cost, while students' tuition would provide \$3.8 million less, resulting in a lower tuition rate increase following the session.

UTAH SYSTEM OF HIGHER EDUCATION COMPENSATION INCREASES FUNDING SCENARIOS

FY 2007 as Approved:

| | 3.5% COLA | | Health Insurance | | Retirement | | Total | |
|-----------------------------|-------------------|------------------|------------------|------------------|----------------|----------------|-------------------|-------------------|
| | State Funds | DC | State Funds | DC | State Funds | DC | State Funds | DC |
| University of Utah | 6,105,750 | 3,436,300 | 877,100 | 487,600 | 230,100 | 129,600 | 7,212,950 | 4,053,500 |
| Utah State University | 3,708,950 | 1,513,750 | 918,000 | 368,200 | 216,200 | 86,700 | 4,843,150 | 1,968,650 |
| Weber State University | 1,566,950 | 1,022,350 | 393,000 | 256,500 | 62,000 | 40,500 | 2,021,950 | 1,319,350 |
| Southern Utah University | 694,750 | 367,500 | 186,100 | 98,200 | 25,300 | 13,500 | 906,150 | 479,200 |
| Snow College | 408,450 | 119,350 | 116,100 | 33,800 | 28,900 | 8,400 | 553,450 | 161,550 |
| Dixie State College | 408,800 | 180,950 | 113,700 | 50,300 | 31,900 | 14,100 | 554,400 | 245,350 |
| College of Eastern Utah | 303,800 | 68,950 | 92,200 | 21,300 | 19,800 | 4,900 | 415,800 | 95,150 |
| Utah Valley State College | 1,213,100 | 1,286,600 | 340,600 | 361,500 | 81,200 | 86,000 | 1,634,900 | 1,734,100 |
| Salt Lake Community College | 1,451,100 | 924,350 | 360,400 | 228,500 | 60,800 | 38,700 | 1,872,300 | 1,191,550 |
| State Board of Regents | 75,600 | 0 | 17,400 | 0 | 4,100 | 0 | 97,100 | 0 |
| UCAT | 1,115,800 | 0 | 278,500 | 0 | 143,700 | 0 | 1,538,000 | 0 |
| Total | 17,053,050 | 8,920,100 | 3,693,100 | 1,905,900 | 904,000 | 422,400 | 21,650,150 | 11,248,400 |

FY 2007 under 75/25 Assumption:

| | 3.5% COLA | | Health Insurance | | Retirement | | Total | |
|-------------------------------|-------------------|------------------|------------------|------------------|------------------|----------------|-------------------|------------------|
| | State Funds | DC | State Funds | DC | State Funds | DC | State Funds | DC |
| University of Utah | 7,193,550 | 2,348,500 | 1,031,600 | 333,000 | 271,700 | 88,100 | 8,496,850 | 2,769,600 |
| Utah State University | 4,126,150 | 1,106,000 | 1,016,500 | 271,200 | 239,400 | 63,800 | 5,382,050 | 1,441,000 |
| Weber State University | 1,944,600 | 644,700 | 487,700 | 161,800 | 77,000 | 25,600 | 2,509,300 | 832,100 |
| Southern Utah University | 798,000 | 264,250 | 213,700 | 70,700 | 29,100 | 9,700 | 1,040,800 | 344,650 |
| Snow College | 408,450 | 119,350 | 116,100 | 33,800 | 28,900 | 8,400 | 553,450 | 161,550 |
| Dixie State College | 442,050 | 147,700 | 122,900 | 41,100 | 34,500 | 11,600 | 599,450 | 200,400 |
| College of Eastern Utah | 306,250 | 66,850 | 93,000 | 20,500 | 20,100 | 4,700 | 419,350 | 92,050 |
| Utah Valley State College | 1,876,000 | 624,050 | 526,800 | 175,200 | 125,500 | 41,700 | 2,528,300 | 840,950 |
| Salt Lake Community College | 1,781,500 | 593,950 | 441,600 | 147,200 | 74,600 | 24,800 | 2,297,700 | 765,950 |
| State Board of Regents | 75,600 | 0 | 17,400 | 0 | 4,100 | 0 | 97,100 | 0 |
| UCAT | 1,115,800 | 0 | 278,500 | 0 | 143,700 | 0 | 1,538,000 | 0 |
| Total | 20,067,950 | 5,915,350 | 4,345,800 | 1,254,500 | 1,048,600 | 278,400 | 25,462,350 | 7,448,250 |
| Increase in State Funds | 3,014,900 | | 652,700 | | 144,600 | | 3,812,200 | |
| Decrease in Dedicated Credits | | (3,004,750) | | (651,400) | | (144,000) | | (3,800,150) |